

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** The Overlooked Consumer of Affordable Meat Products

**Country:** Peru

**Post:** Lima

**Report Category:** Livestock and Products, Poultry and Products, Agricultural Situation

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**Report Highlights:**

Peru is a key market for U.S. affordable animal proteins in Latin America, specifically chicken-leg-quarters (CLQs) and variety meats, such as liver, heart, tongue, lungs, and stomach, with combined export values exceeding \$50 million in 2023. Peru's limited domestic production of these affordable proteins is challenged by rising demand, creating opportunities to expand U.S. market share through targeted promotions to the often overlooked lower- and middle-income consumers.

Peru is an attractive market for U.S. producers of affordable animal protein products. Chicken leg quarters (CLQs) and beef and pork variety meats, including liver, stomach, lungs, and heart, are staples for middle- to low-income consumers. Peru's domestic production of variety meats is insufficient due to a series of factors such as small economies of scale, limited cold chain infrastructure and relatively high percentage of condemned products due to high disease incidence.

U.S. exports of affordable beef and pork variety meats to Peru were valued at about \$11 million in 2023. These products are often found in traditional "wet" markets and sold to street food vendors or direct to consumers for home-cooked meals in Peruvian households. Over 70 percent of affordable protein sales are concentrated in those traditional markets with Peruvian consumer buying decisions based on cost, health benefits (lean), and product quality. In 2023 imports from the U.S. accounted for 76 percent of Peru's imports of beef liver. Per capita consumption of beef and pork variety meats is approximately 4.3 to 4.6 kilograms and has the potential to grow with targeted promotions.

The market for CLQs is also developed. U.S. shipments valued at \$26.4 million garnered a 95 percent of the import market share in 2023. The success of U.S. poultry promotions for CLQs presents an ideal template for targeting low- and middle-income consumers with exports up 1000 percent since the U.S. Trade Promotion Agreement (PTPA) went into force in February 2009. The growth in U.S. CLQs contributed to a noteworthy per capita poultry consumption of 54 kilograms.

Targeted promotions could increase trade in affordable proteins that, like CLQs, also benefit from duty-free advantages of the 15-year PTPA. The positive perception of U.S. products as being high quality and safe for consumption. A more targeted marketing strategy for affordable variety meats to the overlooked middle- to low-income consumers could expand opportunities for trade and benefit the health and nutrition of an economically challenged sector of Peruvian consumers.

## **Section I. Market Overview**

### **General Economic Growth Supports Greater Meat Consumption**

Peruvian economy is one of the best performing in the region, according to the Central Reserve Bank of Peru, GDP is forecast to grow by 3 percent in 2024. As the economy continues growing, it will potentially increase imports of affordable U.S. animal protein products driven by higher purchasing power.

### **Limited Domestic Production Is Unable to Meet Rising Demand**

- Peru's domestic production of variety meats is limited due to Andean animal diseases affecting 17 out of 25 Peruvian regions. These affect the lungs and liver and cause approximately 25 percent of liver production to be condemned.
- Other production constraints include underdeveloped cold chain infrastructure, lack of suitable grazing land, production systems with few technical advancements, and sanitary challenges.
- Production is dominated by small producers with limited capability to expand capacity. According to Peru's Ministry of Agriculture, Peru slaughtered 1.2 million head of cattle in 2023 and produced 196,247 MT of beef. Small and medium producers account for 80 percent of beef production.

## Current Domestic Production, Consumption, and Trade

### **Beef:**

Data on specific meat cuts are limited, however, based on industry sources FAS Lima estimates Peru annual beef variety meat production at:

- Liver: 5,800 MT
- Lung: 2,880 MT
- Heart: 2,400 MT
- Stomach: 6,000 MT

Peruvians consume 4.3 to 4.6 kg/capita of variety meat products (liver, heart, stomach, lungs, etc.). For context 6.2 kg/capita of beef (muscle cuts) is consumed in the South American region.

**Liver:** The United States is by far the largest supplier of liver – it increased shipments by 141 percent in the past 10 years and secured 76 percent of Peru’s imported liver market in 2023. The U.S. Meat Export Federation (USMEF) can claim credit for the rise in exports due to promotional campaigns informing consumers about the taste and iron-rich benefits of eating U.S. beef liver. These initiatives aim to combat chronic anemia within Peru's population and as a result have boosted liver sales.

**Lung:** In 2023, the United States was the third largest supplier of lung to Peru with 11 percent of the import market. Competition is primarily from Argentina which has 42 percent of the market. In the past five years, U.S. lung exports have consistently reached 402 MT. This was valued at over \$2 million in 2023.

**Heart:** U.S. heart exports to Peru dropped significantly from 2013 to 2023 from 7,798 MT to 82 MT. This drastic decrease was partially due to an abnormal surge in 2013 due to the suspension of Brazil's beef and beef products that allowed the United States to backfill unmet demand. However, costly processes, such cleaning the hearts and remove fat, are economic disincentives to U.S. exporters leading to additional costs and diminished price competitiveness.

**Stomach:** From January to September 2024, U.S. stomach exports to Peru increased by 31 percent compared to the same period in 2023.

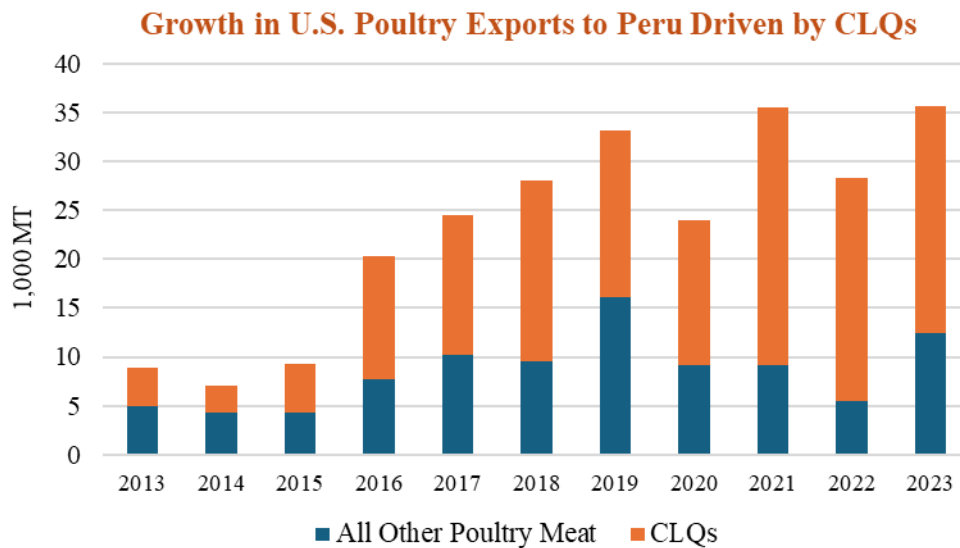
### **Chicken:**

Peru's chicken production is substantial at 1.8 million metric tons in 2023 - with approximately 65 million chickens slaughtered per month. However, despite this high production, Peru is unable to meet poultry demand. Annual per consumption is 54 kilograms.

U.S. CLQ exports account for 64 percent of total U.S. poultry exports to Peru. In 2023, the United States exported 23,239 MT (\$26 million) of CLQs, accounting for 95 percent of Peru’s imports of CLQs.

Notably, U.S. CLQs are price competitive at \$1.00 per kilogram, whereas Peruvian poultry at traditional markets is priced at \$2.52 per kilogram.

**Chart 1: U.S. Poultry Exports Growth to Peru**



**2024: Peru Imports of U.S. Beef Liver and CLQs Continue to Expand**

U.S. beef liver and CLQs are, nevertheless, the most developed markets in the affordable protein category. Peru import data shows increasing growth in the market from January to August 2024 with U.S. liver imports increasing slightly over one percent compared to the same period last year, with historical trends suggesting continued growth into the future. During the same time frames, CLQ imports increased by 4 percent, demonstrating that this market is still expanding.

**Table 1. Peru: Affordable Meat and Meat Products Imports from the United States (Metric Tons)**

HS Code	Description	2019	2020	2021	2022	2023	Jan-Aug 2023	Jan.-Aug 2024
0206290010	Beef Heart	484	71	90	67	82	82	7
0206290000	Beef Lung	555	283	555	437	402	335	229
0206220000	Beef Livers	4,113	7,036	6,679	4,131	4,986	3,404	3,439
0504001000	Beef Stomach	727	410	334	236	71	71	93
0207140010	CLQs	17,096	14,874	26,320	22,809	23,239	17,552	18,260

*Note: Trade for Beef Hearts and CLQs based on U.S. export data. Other products estimated based on Peru import data.  
Source: Trade Data Monitor (TDM)*

**Consumption:**

Data trends indicate Peruvian consumer demand is growing for high quality, affordable, convenient, and healthier sources of protein. U.S. variety meats have an advantage in this market with a reputation of being safe and high quality. Further, these affordable meats category are highly accessible to Peruvian

consumers with around 70 percent of these meat products going to wet markets. Liver, lung, stomach, hearts, and CLQs are staple products in home-cooked meals and street foods.

Peru's increasing demand for already familiar affordable protein products is an opportunity to capture an existing market and expand it through consumer education and creative promotional campaigns that highlight the health, safety, leanness, cooking versatility, and cost effectiveness of U.S. affordable proteins. The path exists to incentivize Peruvian consumers to choose U.S. affordable proteins. Based on Peruvian Consumer market research, "84 percent [of] end consumers expect to receive purchase advice and guidance at the point of sale" (IPSOS Group S.A). This demonstrates the growing availability to expand affordable protein demand and the receptiveness of marketing to Peruvian consumers and their willingness to learn more about their products.

## **Section II. Market Sector Opportunities and Threats**

### **Peru Imports Market is Relatively Concentrated**

- Beef Heart and Lung: Five importers accounting for 46 percent of total imports.
- Beef Liver: Three importers account for 51 percent of imports.
- Beef Stomach: Three importers account for 53 percent of imports.
- CLQs: One importer account for 49 percent of imports.

### **Competition**

In 2023, Argentina and Brazil secured majority volume market share of beef hearts with 44 percent and 40 percent, respectively. In contrast, the United States accounted for only 1 percent (82 MT). U.S. shipments are constrained by high labor costs associated with cleaning hearts (fat removal). Traditional market interviews revealed Peruvian vendors prefer and ask specifically for U.S. hearts due to their flavor, tenderness, and large size. However, they want the hearts cleaned. Majority of vendors aren't willing to take on the cost of cleaning the hearts even if they consider the quality to be better than competitors.

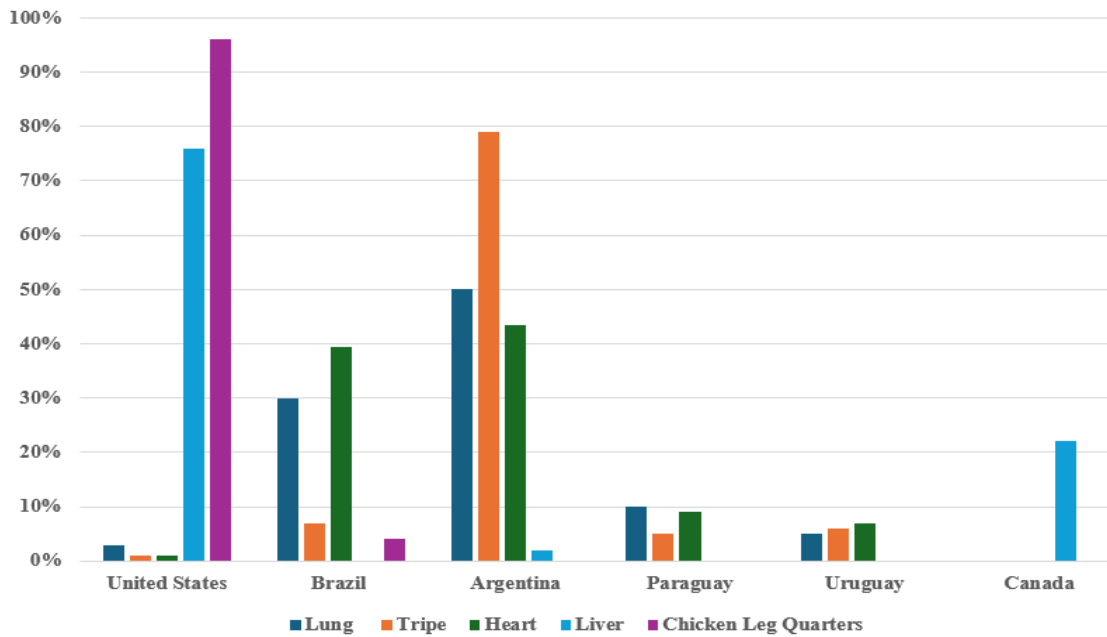
There is potential for U.S hearts to be a premium product if the hearts are exported cleaned, especially by buyers who sell *anticuchos*, a popular grilled heart dish on a skewer sold commonly as street food or in restaurants and a significant contributor for sales. These buyers are willing to purchase hearts at a premium. Additionally, there are complaints that Brazilian hearts are too small and cut transversely, making them difficult to sell for *anticuchos*.

Of note, Argentina controls over 70 percent of lung and stomach exports to Peru. Other competitors in the offal market (lungs, heart, stomach, etc.) are Canada and Uruguay.

<b>Advantages (product strengths/market opportunities)</b>	<b>Challenges (product weakness/competitive threats)</b>
The United States is the top supplier of CLQs and liver to Peru, holding 95 percent and 76 percent of the market share.	Historically, Brazil and Argentina, dominate the heart market because they are willing to satisfy quality demands. Canada and Uruguay are consistent competitors in stomach.
The Peruvian Ministry of Health encourages families to consume iron-rich foods.	U.S. cleaned (trimmed fat) hearts are a costly labor expense that results in 45 percent waste. A better product than competitors but more expensive.
Peru Trade Promotion Agreement (PTPA) eliminated import duties for beef offal (liver, lung, stomach, heart) and CLQs.	Peruvian consumers lack information on the nutritional value of these products and would need educational activities to increase demand.
Affordable meats are a staple in Peruvian cuisine.	Peru has an underdeveloped cold chain infrastructure.
Peruvians prefer affordable, healthy/lean, and high-quality foods, which are provided by affordable meats.	Peruvian's have a stigma against frozen products, they prefer to purchase "fresh" products (dethawed) intended for same day consumption.
Peruvians are familiar with these affordable meat products.	Informal transactional systems between some Peru importers and Peru clients/vendors.
Positive perception of U.S. product as high quality and safe.	Peruvian importers don't have an effective stock inventory management system.
Consumers strongly prefer U.S. hearts for their younger, leaner, tender, and well-textured qualities.	Retail opportunities for U.S. meat products are limited to Lima.

*\*"Fresh" products in the affordable meat and meat category are typically dethawed and passed as fresh in the market. There are some fresh local products in this category, but quantities are limited.*

**Chart 2: Peru’s Imports by Country - CY 2023 Market Share of Affordable Meat and Meat Products**



Source: FAS BICO and Veritrade

**Market Size, Structure, Trends:**

**Wet Markets Dominate but Retail Opportunities Exist**

The affordable meats category is mainly managed by importers and distributors who service either wet markets or the retail sector. The main distribution channels for this segment are wet markets with 70 percent market share and the retail market with the remaining 30 percent.

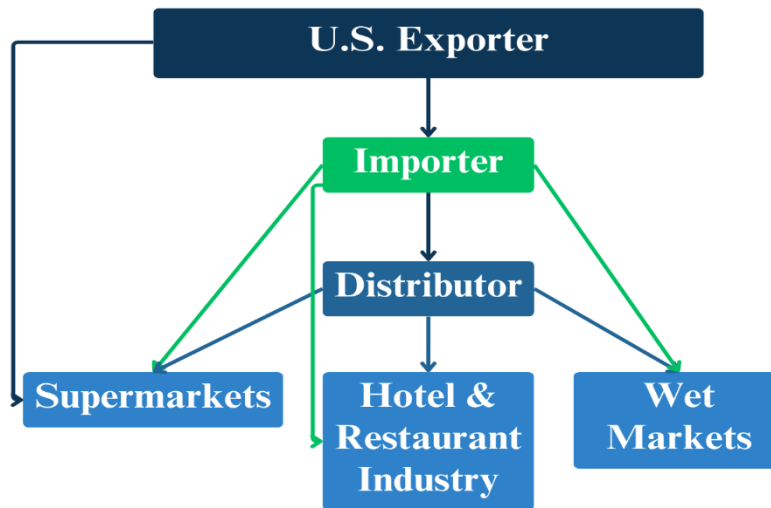
Wet Markets

- In Peru, there are a total of 2,612 wet markets and in Lima alone there are 1,122.
- Most of the liver in local wet markets is U.S. liver that enters frozen.
- Wet market customers seek fresh meat products that are ready to eat that day and not frozen.

Retail Sector

- Typically, the retail sector sells most of these meat products as frozen, most commonly sold are liver and CLQs.
- Retail market opportunities in the provinces of Peru are limited due to the predominant consumer preference for wet markets. The retail sectors in these areas is still developing a consumer base. Therefore, the primary retail opportunities lies within the Lima area.

**Chart 3: Distribution Channel in the Peruvian Market:**



### **Beef Variety Meat Products in the Wet Markets**

#### Wet Market Structure

Heart, lungs, stomach and liver are more commonly found in local wet markets. Most sales in these segments are direct, importers to wet markets. The overall wet market structure is informal as it consists of some importers conducting sales on a credit system with high risk, sometimes making it difficult to verify a buyer's reliability. Many of the vendors/buyers are family run businesses and transactions between importers and vendors/buyers are personal. Importers need to improve formal payment processes.

#### Product Quality

Concerns with U.S. affordable meat products are minimal, occasionally sandy texture and white specks on the liver typically due to cold chain failures. Stomach is rejected by Peruvian vendors as U.S. product can sometimes tear while hanging from display hooks due to the additional processing in Peru.

#### Consumer Education at Points of Sale

The heart, lung, and stomach meat products are a lesser established market that require consumer education on the value of these U.S. products. The U.S. demonstrates competitiveness in variety meats, but an added value for these products is the building of consumer awareness on healthy or lean products full of nutrients, or product attributes typical in high-quality U.S beef and beef products. Similarly, possible avenues to continue growing the developed liver and CLQ markets are strategies that involve product innovation. Currently, USMEF is conducting a project to inform consumers of the versatility of these meats with liver burger and liver sausage recipes.



**Picture 1: Wet Market Visit to Vendors Selling U.S. Offals**



*Feedback while conducting vendor surveys with USMEF highlighted an overwhelming demand for U.S. hearts, vendors were also interested in purchasing lung, tongue, and feet. Source: USMEF*

**Picture 2: USMEF Sponsored Women's Grilling Class featuring U.S. Liver Burgers**



*Peruvian women learn about U.S. meat cuts, grilling techniques, and the health benefits of liver burgers, furthering their education in U.S. meat proteins as women are the primary decision markers of household grocery purchases. Source: FAS Lima*

**Attachments:**

No Attachments.